

**Aurora R. Valenti**  
**TOMPKINS COUNTY CLERK**

320 North Tioga Street  
Ithaca, NY 14850  
(607) 274-5431  
Fax: (607) 274-5445

**Instrument Number**

**\*531542-004\***

No. of Pages: 5

Delivered By: MASON DIXON

Receipt No. 531542

Return To:

MASON DIXON

ENV

DATE: 09/08/2008

Time: 02:45 PM

Document Type: EASEMENT/LEASE

Parties To Transaction: BRACEWELL

**Deed Information**

Consideration: \$0.00

Transfer Tax: \$0.00

RETT No: 00274

County Transfer Tax: \$0.00

State of New York

Tompkins County Clerk

**Mortgage Information**

Mortgage Amount:

Basic Mtge. Tax:

Special Mtge. Tax:

Additional Mtge. Tax:

Mortgage Serial No.:

This sheet constitutes the Clerk endorsement required by Section 316-A(5) & Section 319 of the Real Property Law of the State of New York. DO NOT DETACH

*Aurora R. Valenti*

**Tompkins County Clerk**



\* 5 3 1 5 4 2 - 0 0 4 \*

**PAID UP OIL AND GAS LEASE**

This Lease made this 19<sup>th</sup> day of June, 2008, by and between **John L. Bracewell, Jr. and Margaret W. Bracewell, husband and wife**, of **225 Stone Quarry Rd., Ithaca, NY 14850** hereinafter called "Lessor" and **Anschutz Exploration Corporation, 555 17<sup>th</sup> Street, Suite 2400, Denver, Colorado 80202**, hereinafter called "Lessee".

WITNESSETH: That for and in consideration of One Dollar (\$1.00), paid in hand by Lessee, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the premises, mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

**1. LEASING CLAUSE.** Lessor hereby grants, leases and lets exclusively to Lessee all the oil and gas and their constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, "the Leasehold", together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the exclusive right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold and/or from neighboring lands across the Leasehold, and such rights shall survive the term of this agreement for so long thereafter as operations are continued; to use oil, gas, and non-domestic water sources, free of cost; to operate, maintain, repair, and remove material and equipment.

**2. DESCRIPTION.** The Leasehold is located in the **Town(s) of Ithaca**, in the **County of Tompkins**, in the State of **New York**, and described as follows:

Tax Map No(s): **40-3-10**

and is bounded substantially by lands now or formerly owned as follows:

On the North by: **Borow;**

On the East by: **South Hill Business Campus;**

On the South by: **South Hill Business Campus, Mandl;**

On the West by: **Mandl, Stone Quarry Rd.;**

and being lands conveyed to Lessor by deed or other Document, recorded in **DB 554/964** of the records of said County and State, and described for the purposes of this agreement as containing a total of **9.43** acres, whether actually more or less, and including contiguous lands owned by Lessor.

**3. LEASE TERM.** This Lease shall remain in force for a primary term of **five (5)** years from \_\_\_\_\_, 2008, (the "effective date") and for as long thereafter as prescribed payments are made, or for as long thereafter as operations are conducted on the Leasehold in search of or production of oil, gas, or their constituents, or for as long as a well capable of production is located on the Leasehold or lands pooled or unitized therewith, or for as long as extended by provision herein. If after the primary term the last producing well on the Leasehold or lands pooled or unitized therewith is plugged and abandoned, the Leasehold will remain under Lease for an additional period of one year from the date of plugging and abandonment, subject to the payment of delay rental.

**4. EXTENSION OF PRIMARY TERM.** Lessee has the option to extend the primary term of this Lease for one additional term of **five (5)** years from the expiration of the primary term of this Lease; said extension to be under the same terms and conditions as contained in this Lease. Lessee may exercise this option to extend this Lease if on or before the expiration date of the primary term of this Lease, Lessee pays or tenders to the Lessor or to the Lessor's credit an amount equal to the initial consideration given for the execution hereof. Exercise of this option is at Lessee's sole discretion and may be invoked by Lessee where no other alternative of the Lease Term clause extends this Lease beyond the primary term.

**5. PAYMENTS TO LESSOR.** Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership, as follows:

**(A) DELAY RENTAL:** If operations for drilling are not commenced on the Leasehold or lands pooled or unitized therewith, or any part hereof, within ninety days from the effective date, Lessee shall, to continue this Lease in full force and effect, make payment to Lessor a Delay Rental at the rate of **Five Dollars (\$5.00)** per net mineral acre per year, payments to be made annually or quarterly, at Lessee's option, until the commencement of a well. Delay Rental paid for time beyond the commencement date of Royalty payments shall be credited upon the Royalty payment. **The parties hereto agree that this is a Paid-Up Lease with no further Delay Rental and/or Delay in Marketing payments due to Lessor during the primary term hereof.**

**(B) ROYALTY:** To pay Lessor as Royalty, less all applicable taxes, assessments, and adjustments on production from the Leasehold, as follows:

1. **OIL:** To deliver to the credit of Lessor, free of cost, a Royalty of the equal one-eighth part of all oil and any constituents thereof produced and marketed from the Leasehold.
2. **GAS:** To pay Lessor an amount equal to one-eighth of the net proceeds realized by Lessee from the sale of all gas and the constituents thereof produced and marketed from the Leasehold. Lessee may withhold Royalty payment until such time as the total withheld exceeds twenty-five dollars (\$25.00).

**(C) DELAY IN MARKETING:** In the event that Lessee does not market producible gas, oil, or their constituents from the Leasehold, Lessee shall continue to pay Delay Rental until such time as marketing is established, and such payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty.

**(D) SHUT-IN:** In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of six months, and there is no producing well on the Leasehold or lands pooled or unitized therewith, Lessee shall thereafter, as

Royalty for constructive production, pay a Shut-in Royalty equal in amount and frequency to the Delay Rental until such time as production is re-established and said payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty. During Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leasehold or drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold or lands pooled or unitized therewith is interrupted for a period of less than six months, this Lease shall remain in full force and effect without payment of Royalty or Shut-in Royalty.

**(E) SUSPENSE / ESCROW:** Lessee shall be allowed to suspend and/or escrow royalty payments into an interest bearing account, pending the issuance of a Spacing Order by the appropriate Governmental Authority, or created by contract right, for any well drilled on the Leasehold or lands pooled or unitized therewith. This suspension and/or creation of an Escrow Account shall, for purposes of this Lease, be considered the Payment of Royalty.

**(F) DAMAGES:** Lessee will remove unnecessary equipment and materials and reclaim all disturbed lands at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of growing crops or marketable timber.

**(G) MANNER OF PAYMENT:** Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment pending notification by Lessor of a change in address.

**(H) CHANGE IN LAND OWNERSHIP:** Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments as if such a change had not occurred.

**(I) TITLE:** If Lessee receives evidence that Lessor does not have title to all or any part of the rights herein leased, Lessee may immediately withhold payments that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

**(J) LIENS:** Lessee may at its option pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and costs, by deduction from any future payments to Lessor or by any other lawful means.

**(K) NOTICE:** In the event Lessor considers that Lessee has not complied with any or all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, via certified United States mail, setting out specifically in what respects Lessor considers Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said Lease for any cause, and no such action shall be brought by Lessor until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any act by Lessee aimed to meet all or any of the alleged breaches shall be an admission or presumption that Lessee has failed to perform all its obligations hereunder. It is agreed that this Lease shall never be forfeited or cancelled for Lessee's failure to perform, in whole or in part, any of its implied covenants, conditions, or stipulations, including payment of any rentals and royalties due under this Lease, until it shall have been first finally judicially determined that such failure exists, by a final order of a court of competent jurisdiction and after such final determination, Lessee is given a reasonable time therefrom to comply with any such covenants, conditions, or stipulations.

**(L) CHARACTERIZATION OF PAYMENTS:** Payments set forth herein are covenants, not special limitations, regardless of the manner in which these payments may be invoked. Any failure on the part of the Lessee to timely or otherwise properly tender payment can never result in an automatic termination, expiration, cancellation, or forfeiture of this Lease. Lessor recognizes and acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, can vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor hereby agrees that the payment terms, as set forth herein, and any bonus payments paid to Lessor constitute full consideration for the Leasehold. Lessor further agrees that such payment terms and bonus payments are final and that Lessor will not seek to amend or modify the lease payments, seek additional consideration or register any complaint based upon of any differing terms which Lessee has or will negotiate with any other lessor/oil and gas owner.

**6. UNITIZATION.** Lessor grants Lessee the right to pool, unitize, or combine all or parts of the Leasehold with other lands, whether contiguous or not contiguous, leased or unleased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to Governmental Authorization or Order. Such units will not exceed 640 acres (or such other size as allowed by the appropriate Governmental Authority). Where Lessee forms a unit by contract right, it may, at its' sole option, place of record, a copy of its Declaration of Unitization. Lessor shall be provided with notice of the formation of unit(s) as may be required under the Unitization Requirements of the appropriate Governmental Authority. Whether unit(s) are formed by contract right or by appropriate Governmental Authority, for all purposes of this Lease, the Leasehold shall be deemed to be unitized effective with the spud date of any well for which any portion of the Leasehold is finally determined to be included in the Unit(s) therefore. Lessee is granted the right to change the size, shape, and conditions of operation or payment of any unit created. Lessor agrees to accept and receive out of the production or the net proceeds realized from the production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold net acres included in the unit bears to the total number of acres in the unit; for such purposes, Lessee may, at it's option, definitively rely on the acreage calculations of the local property tax assessment authorities. Otherwise, drilling, operations in preparation for drilling, production, or shut-in production from the unit, or payment of Royalty or Delay Rental shall have the same effect upon the terms of this Lease as if a well were located on the Leasehold.

**7. FREE GAS.** Lessor reserves from one gas producing well located on the surface of the Leasehold and only for as long as commercial gas production exists from said well, two hundred fifty thousand (250,000) cubic feet of gas per year. Lessor permanently waives all rights to take physical possession of such reserved gas. Lessee agrees to pay once annually to Lessor, the cash value of such reserved gas at the average wellhead price received by Lessee, based upon seven eighths (7/8<sup>th</sup>) of gross proceeds received by Lessee for gas produced from the Leasehold or the Lessee's nearest gas production to the Leasehold, less taxes, gathering costs, dehydration costs, compression costs, transportation costs and/or any other costs whether necessary or incidental to the marketing of said gas. If Lessor conveys a portion of its interest in the leasehold, Lessor may convey this

reserved gas (cash value) as part of such conveyance, but shall not subdivide such reserved gas (cash value).

**8. FACILITIES.** Lessee shall not drill a well within 200 feet of any structure located on the Leasehold without Lessor's written consent. Lessor shall not erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade, or restrict roads and facilities built by Lessee without Lessee's written consent.

**9. TITLE AND INTERESTS.** Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor. If this lease covers a lesser interest in the oil and gas, and their constituents, granted herein in all or any part of the Leasehold than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein.

**10. LEASE DEVELOPMENT.** There is no covenant to develop the Leasehold within a certain time frame, and there shall be no forfeiture of the rights granted hereby based on any implied covenant to produce. Other provisions contained herein constitute full compensation for all of the rights and privileges herein granted.

**11. FORCE MAJEURE.** This Lease and its expressed or implied covenants shall not be subject to termination, forfeiture of rights, or damages due to failure to comply with obligations if compliance is prevented by acts of God, federal, state, or local law, regulation, or decree (including, expressly, consent decrees), or any circumstance reasonably beyond the sole control of Lessee.

**12. CONTINUING OPERATIONS.** If, at the expiration of the primary term of this Lease, there is no production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith, but Lessee is engaged in operations for drilling, reworking, plugging back or deepening a well thereon, this Lease shall remain in force and its term shall continue for so long as such operations or additional drilling, reworking, plugging back or deepening are prosecuted with no cessation of more than ninety (90) consecutive days and if any such operations result in the production of oil, gas or condensate covered hereby, as long thereafter as there is production from the Leasehold or lands pooled or unitized therewith, or the term of this Lease is otherwise extended by any of the provisions herein.

**13. CESSATION OF PRODUCTION.** If, within the primary term of this Lease, or any extension thereof, production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith shall cease, this Lease shall continue in force, and the Lessee may commence operations for drilling, reworking, plugging back or deepening of a well or may in lieu thereof commence or resume the payment of Delay Rentals on or before the anniversary date of the Effective Date of this Lease next following the 120th day after such cessation of production. If, after the expiration of the primary term of this Lease, or any extension thereof, production of oil, gas or condensate on the Leasehold, or lands pooled or unitized herewith, should cease, this Lease shall not terminate, provided that Lessee commences operations for drilling, reworking, plugging back or deepening a well within ninety (90) days from such cessation, and this Lease shall remain in force during the prosecution of such operations, and for so long as such operations are prosecuted with no cessation of more than ninety (90) days, and, if production of oil, gas or condensate results from such operations, then this Lease shall remain in force and effect for so long as production continues or operations are being conducted as herein provided, or the term of this Lease is otherwise extended by any of the provisions herein.

**14. PREFERENTIAL RIGHT TO RENEW.** If, at any time during the primary term hereof, or within one (1) year from the expiration, cancellation or termination of this Lease, Lessor receives an acceptable, bona fide third-party offer to lease the Leasehold, in whole or part, Lessor shall promptly provide the Lessee, in writing, of all of the verifiable particulars of such offer. Lessee shall have thirty (30) days from the receipt thereof to advise Lessor, in writing, of its agreement to match said third-party offer as to all terms and consideration; immediately thereafter, Lessor and Lessee shall take all cooperative steps necessary to effectuate the consummation of said transaction and the survival of said transaction through any statutorily mandated right of cancellation thereof. Any lease or option to lease the Leasehold, in whole or part, granted by Lessor in contravention of the purposes of this paragraph shall be deemed null and void.

**15. ENTIRE CONTRACT.** The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to execute or modify this Lease.

**16. SURRENDER.** Lessee may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease, and if a partial surrender, the Delay Rental provided in the PAYMENTS clause shall be reduced in proportion to the acreage surrendered.

**17. SUCCESSORS.** All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

**SEE ADDENDUM ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.**

**IF THIS LEASE BECOMES FORFEITED, TERMINATED OR EXPIRES, THE LESSEE, OR IF THE LEASE HAS BEEN ASSIGNED, THE ASSIGNEE, IS REQUIRED TO PROVIDE A DOCUMENT CANCELING THE LEASE AS OF RECORD, AT NO COST TO THE CURRENT LAND OWNER. IF THE LESSEE OR ASSIGNEE FAILS TO CANCEL THE LEASE, THE CURRENT LANDOWNER MAY COMPEL A CANCELLATION PURSUANT TO SECTION 15-304 OF THE GENERAL OBLIGATIONS LAW.**

ACKNOWLEDGEMENT

State of Michigan :

County of Chippewa :

On June 19, 2008

before me, the undersigned, a Notary Public in and for said State, personally appeared **John L. Bracewell, Jr. and Margaret W. Bracewell, husband and wife**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

My commission expires September 27, 2011

Signature / Notary Public *Carole Carnahan*

Name / Notary Public (print) Carole Carnahan

CAROLE CARNAHAN  
Notary Public, State of Michigan  
County of Chippewa  
My Commission Expires Sep. 27, 2011  
Acting in the County of Chippewa

ACKNOWLEDGEMENT

State of \_\_\_\_\_ :

County of \_\_\_\_\_ :

On \_\_\_\_\_

before me, the undersigned, a Notary Public in and for said State, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

My commission expires \_\_\_\_\_

Signature / Notary Public \_\_\_\_\_

Name / Notary Public (print) \_\_\_\_\_

This document prepared by:

When recorded return to: Mason Dixon Energy, Inc., 101 Cambridge Place, Bridgeport, WV 26330

Acknowledgement Page to an Oil and Gas Lease dated the 19th day of June, 2008 between **John L. Bracewell, Jr. and Margaret W. Bracewell, husband and wife** and Anschutz Exploration Corporation.

## ADDENDUM

Attached to and made part of a PAID UP OIL AND GAS LEASE

dated JUNE 19, 2008

by and between **John L. Bracewell, Jr. and Margaret W. Bracewell, husband and wife**

and

**Anschutz Exploration Corporation**

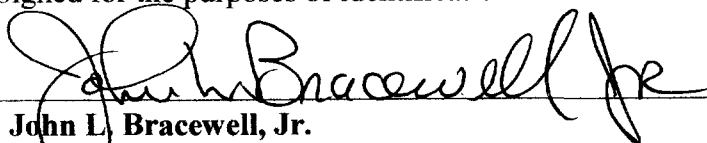
In the event of a conflict between a provision contained in this Addendum and a provision contained in the Lease, the provision contained in this Addendum prevails.

In addition to provisions previously set forth in the attached Oil and Gas Lease, it is hereby agreed that:

1. Notwithstanding anything to the contrary contained in the Lease, no rights to use the surface of the Leasehold to drill, maintain or operate wells, construct roads and/or install pipelines and related facilities are granted to Lessee. The above exclusion of the rights to use the surface shall not be construed as waiving, releasing or relinquishing the right of Lessee to conduct seismic surveys, or the right of Lessee in and to the oil and gas in and under the Leasehold, or that may be produced from the Leasehold, or the right of Lessee to explore for, develop or produce such oil and gas by directional drilling or other method from adjacent lands with wells bottomed beneath the Leasehold, or by pooling or unitization with other lands for the purpose of producing and enjoying such oil and gas.
2. All oil, gas or other proceeds accruing to the Lessor under paragraph 5(B)2 of this Lease shall be without deduction, directly or indirectly, for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee..

This addendum shall not affect the terms and conditions set forth in the attached Oil and Gas Lease in any manner except as set forth herein.

Signed for the purposes of identification:

  
\_\_\_\_\_  
**John L. Bracewell, Jr.**

  
\_\_\_\_\_  
**Margaret W. Bracewell**

\_\_\_\_\_  
\_\_\_\_\_

ATTACHED NOTATIONS:

See Also Deed - ASSIGNMENT OF O & G LEASE Recorded 10/28/2009 as Instrument Number 550061-002

See Also Deed - ASSIGNMENT OF O & G LEASE Recorded 12/03/2010 as Instrument Number 568258-001

See Also Deed - ASSIGNMENT OF O & G LEASE Recorded 12/08/2009 as Instrument Number 551848-004